

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>VILLAGE OF ONTONAGON</b>	County <b>ONTONAGON</b>
Fiscal Year End <b>MARCH 31, 2006</b>	Opinion Date <b>JUNE 12, 2006</b>	Date Audit Report Submitted to State <b>SEPTEMBER 29, 2006</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

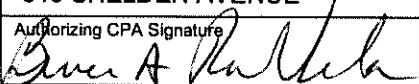
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) <b>BRUCE A. RUKKILA, CPA, PC</b>		Telephone Number <b>906-482-6601</b>		
Street Address <b>310 SHELDEN AVENUE</b>		City <b>HOUGHTON</b>	State <b>MI</b>	Zip <b>49931</b>
Authorizing CPA Signature 		Printed Name <b>BRUCE A. RUKKILA</b>		License Number <b>263812</b>



**VILLAGE OF ONTONAGON**  
**ONTONAGON COUNTY, MICHIGAN**  
**FINANCIAL STATEMENTS WITH**  
**SUPPLEMENTAL INFORMATION**

**March 31, 2006**



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**Bruce A Rukkila, CPA, PC**

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for the Western Upper Peninsula*

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### **INDEPENDENT AUDITOR'S REPORT**

Honorable President and Members of the Village Council  
Village of Ontonagon  
Ontonagon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Ontonagon as of and for the year then ended March 31, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of Ontonagon's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Village of Ontonagon as of March 31, 2006, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 12, 2006 on our consideration of Village of Ontonagon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 36, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Village of Ontonagon's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Supplemental Financial Information listed in the table of contents and the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for the purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Ontonagon. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce A. Rukkala, CPA, PC*

Certified Public Accountants

June 12, 2006



**Village of Ontonagon**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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This section of the Village of Ontonagon's annual Financial Report presents the Management Discussion and Analysis of the Village's financial activities during the fiscal year ended March 31, 2006. The analysis focuses on the Village's financial performance as a whole. It is intended to be read as part of the Village's financial statements, which immediately follow this section.

**Financial Highlights**

The Village of Ontonagon budgeted funds ended the year within budget. Total expenses for governmental activities totaled \$2.4 million, this includes the M-64 Bridge project. Total expenses for business-type activities totaled \$1.2 million. The year end fund balance for the General Fund was \$550,004.

**Overview of the Financial Statements**

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Village's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Village as a whole and represent an overall view of the Village's finances.

*Statement of Net Assets and the Statement of Activities*

These statements provide information that help determine how the Village is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The Village's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the Village's net assets is one way to determine if the financial position of the Village is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the Village.

There are two kinds of activities in the Statement of Net Assets and the Statement of Activities:

**Governmental Activities** - Most of the Village's basic services are reported here, including general administration, fire, public works, and parks and recreation. These activities are financed primarily by property taxes, intergovernmental revenues, and charges for services.



**Overview of the Financial Statements - Continued**

Major Funds: Under GASB Statement 34, the audit focus has shifted from governmental type funds to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the Village of Ontonagon the General Fund, Major Street Fund, and Capital Project Fund meet this requirement.

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the notes to the financial statements.

Business-Type Activities - The Village's sewer and water activities are reported here. A fee is charged to customers to help defray the cost of these services.

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the Village's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information.
- Other supplementary information provides detailed information about the General Fund, Special Revenue Funds, and Proprietary Funds.

Governmental Funds - The Village's basic services are mainly reported in this type of fund, which concentrates on how money goes into and out of those funds and the balances left at year end that are available for spending. Modified accrual accounting is the reporting method used for these funds. These statements provide a short-term view of the Village's general governmental operations and the basic services it provides in detail. Information in these statements help determine whether there are more or fewer financial resources that can be spent in the future to finance the Village's programs.

Governmental funds are essentially the same as the governmental activities with the exception that internal services are included in governmental activities but not as governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and on the balances of spendable resources.

In governmental funds, capital outlay and debt principal are reported on the Statement of Revenues, Expenditures and Changes in Fund Balance and depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The Balance Sheet for governmental funds does not include any capital assets or long-term debt.



**Village of Ontonagon**  
**Management's Discussion and Analysis**  
**March 31, 2006**

**Overview of the Financial Statements - Continued**

Proprietary Funds - Proprietary funds use a full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

Enterprise funds are used to report business like activities. In general, these funds charge a fee for their services. The Village uses enterprise funds for water and sewer. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The Village's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds. All enterprise funds qualify as major funds.

Internal service funds provide services to other Village activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle and equipment maintenance. The Village of Ontonagon Equipment Fund is the only internal service fund.

Component Units - The Village has two component units that are separate legal entities for which the Village has some level of financial accountability. These component units are shown in a separate column. They include Ontonagon Memorial Hospital and the Downtown Development Authority. More information about the component units can be found in the Notes.

The Village has a third component unit, the Ontonagon Housing Commission. The Village is not financially accountable for the Housing Commission nor does it have a significant relationship. Therefore, the Housing Commission is not included as part of the Village reporting entity.

**Summary of Net Assets**

	Governmental Activities	Business-type Activities
<b>Assets</b>		
Current and other assets	\$ 1,586,492	\$ 424,827
Restricted investments	0	842,800
Capital assets - Net of accumulated depreciation	2,086,836	21,886,550
Total Assets	<u>\$ 3,673,328</u>	<u>\$ 23,154,177</u>
<b>Liabilities</b>		
Current liabilities	\$ 101,432	\$ 358,933
Long-term liabilities	422,807	9,663,862
Total Liabilities	<u>524,239</u>	<u>10,022,795</u>
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	1,751,162	(562,232)
Contributed Capital	248,780	12,482,920
Restricted for debt service	0	759,525
Unrestricted	1,149,147	451,169
Total Net Assets	<u>3,149,089</u>	<u>13,131,382</u>
Total Liabilities and Net Assets	<u>\$ 3,673,328</u>	<u>\$ 23,154,177</u>



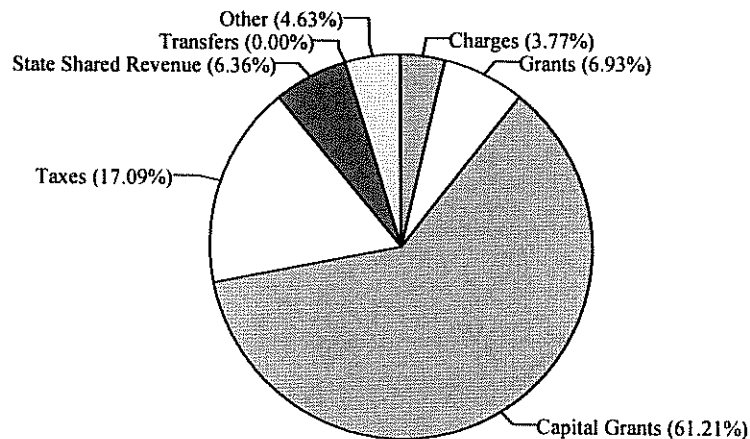
**Village of Ontonagon**  
**Management's Discussion and Analysis**  
**March 31, 2006**

**Results of Operations**

	Governmental Activities	Business-type Activities
<u>Revenues</u>		
Program Revenue:		
Charges for services	\$ 106,877	\$ 1,147,440
Grants and contributions	196,545	0
Capital grants and contributions	1,735,019	0
General Revenue:		
Property taxes	484,475	0
State shared revenue	180,378	0
Other	131,130	38,307
Transfers	0	160,000
Total Revenue	2,834,424	1,345,747
<u>Functions/Program Expenses</u>		
General government	118,873	0
Public safety	49,491	0
Public works	1,901,296	1,105,641
Recreation and culture	125,140	0
Community services	44,840	0
Other	215,868	0
Transfers	160,000	0
Total Expenses	2,615,508	1,105,641
Change in Net Assets	218,916	240,106
Net Assets - Beginning	2,932,147	12,891,276
Net Assets - Ending	\$ 3,151,063	\$ 13,131,382

The following two charts highlight the Village's governmental activities by revenues and expenses.

**Revenues-Governmental Activities**





**Village of Ontonagon**  
**Management's Discussion and Analysis**  
**March 31, 2006**

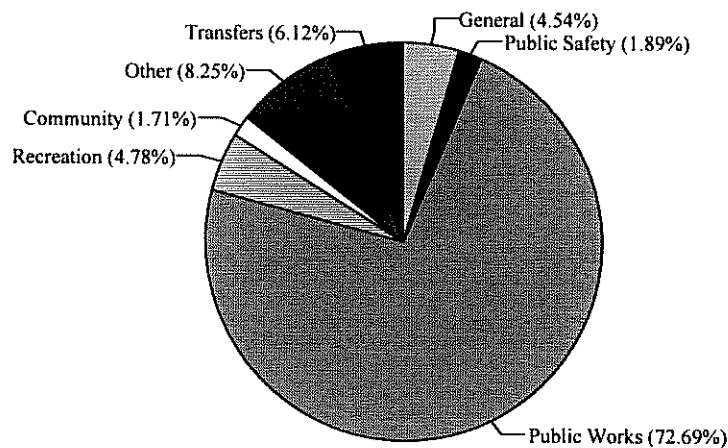
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The most significant portions of the revenues for all governmental activities of the Village comes from property taxes. The Village's operating millage was 12.50. The Village charter allows the Village to levy up to 20.0 mills for operations.

The state revenue represents state shared revenue and funds for the Major and Local Street Funds from the Michigan Transportation Fund.

The capital grant revenue is for major streets improvements and M-64 Bridge project.

**Expenses-Governmental Activities**

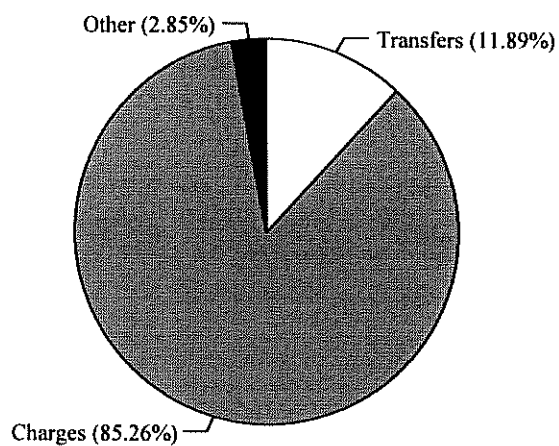


The general area expenses represent village hall activities. The major, local and road expenses are included in the public works area, which includes the major street state grant improvement and M-64 bridge expenditures. Marina expenses are included in the recreation.

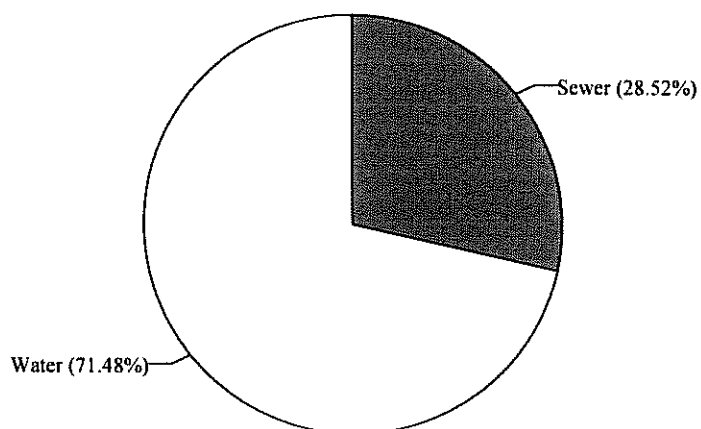


The following two charts highlight the Village's business-type activities by revenues and expenses.

### **Revenues-Enterprise Funds**



### **Expenditures-Enterprise Funds**





**Village of Ontonagon**  
**Management's Discussion and Analysis**  
**March 31, 2006**

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**Financial Analysis**

Governmental Funds: The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined unreserved fund balances of \$1,144,726.

The General Fund is the main operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$550,004. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved fund balance represents 80% of total General Fund expenditures.

The fund balance of the Village's General Fund decreased by \$57,556 during the fiscal year. Key elements of this decrease are the reduction of state shared revenues and the increase in the cost of employee benefits.

Proprietary Funds: The Village's proprietary funds provides the same type of information found in the government-wide financial statements, but in more detail.

Fund equity at the end of the year amounted to \$13,131,382. Of this amount \$12,482,920 is contributed capital from federal and state grants, net of amortization, \$759,525 is restricted for debt service.

**Budgetary Highlights**

During the year ended March 31, 2006, the Village amended the budget twice. The amendments were done to cover unbudgeted expenditures. The amendments were mainly required to reconcile actual versus budgeted level effort required for various maintenance activities in the different funds.

**Capital Assets and Debt Administration**

The Village's investment in capital assets for the governmental and business-type activities as of March 31, 2006, amounts to \$30,624,915. This investment in capital assets including land, buildings, improvements, machinery and equipment. The water fund added two assets, a fence and van, which totaled \$20,100. The equipment fund purchased a backhoe in the amount \$53,775.

Additional information on the Village's capital assets can be found starting on page 26 of this report.



**Capital Assets and Debt Administration - Continued**

Long-term debt: At the end of the current fiscal year, the Village had total debt of \$10,367,375. This total amount is backed by the full faith and credit of the Village. The Village's total debt decreased by \$305,138 during the fiscal year.

Additional information on the Village's long-term debt can be found starting page 28 of this report.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Village's finances. If you have questions about this report or need additional information, contact the Village Manager at 315 Quartz Street, Ontonagon, Michigan 49953 or call 906-884-2305.



**VILLAGE OF ONTONAGON**  
**STATEMENT OF NET ASSETS**  
**March 31, 2006**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,448,650	\$ 337,384	\$ 1,786,034	\$ 162,106
Receivables	85,149	101,886	187,035	1,989,978
Inventories	-	-	-	228,308
Prepaid expenses	-	-	-	56,757
Internal balances	14,443	(14,443)	-	-
Due from other governmental units	40,224	-	40,224	-
TOTAL CURRENT ASSETS	<u>1,588,466</u>	<u>424,827</u>	<u>2,013,293</u>	<u>2,437,149</u>
NONCURRENT ASSETS:				
Restricted cash	-	842,800	842,800	300,902
Capital assets	4,712,200	25,912,715	30,624,915	6,901,202
Less: accumulated depreciation	<u>(2,625,364)</u>	<u>(4,026,165)</u>	<u>(6,651,529)</u>	<u>(4,512,883)</u>
TOTAL NONCURRENT ASSETS	<u>2,086,836</u>	<u>22,729,350</u>	<u>24,816,186</u>	<u>2,689,221</u>
TOTAL ASSETS	<u>\$ 3,675,302</u>	<u>\$ 23,154,177</u>	<u>\$ 26,829,479</u>	<u>\$ 5,126,370</u>
LIABILITIES:				
CURRENT LIABILITIES:				
Accounts payable and accrued expenses	\$ 65,803	\$ 56,933	\$ 122,736	\$ 2,693,828
Due to other governmental units	17,031	-	17,031	7,533
Bonds payable, current maturities	14,598	302,000	316,598	80,419
Note payable, current maturities	4,000	-	4,000	472,020
Capital leases, current maturities	-	-	-	189,862
TOTAL CURRENT LIABILITIES	<u>101,432</u>	<u>358,933</u>	<u>460,365</u>	<u>3,428,596</u>
NONCURRENT LIABILITIES:				
Bonds payable, less current maturities	300,402	9,663,862	9,964,264	473,080
Note payable, less current maturities	30,520	-	30,520	253,551
Capital leases, less current maturities	-	-	-	491,222
Compensated absences	52,374	-	52,374	-
Deferred revenue	<u>39,511</u>	<u>-</u>	<u>39,511</u>	<u>-</u>
TOTAL NONCURRENT LIABILITIES	<u>422,807</u>	<u>9,663,862</u>	<u>10,086,669</u>	<u>1,217,853</u>
TOTAL LIABILITIES	<u>524,239</u>	<u>10,022,795</u>	<u>10,547,034</u>	<u>4,646,449</u>
NET ASSETS:				
Invested in capital assets, net of related debt	1,751,162	(562,232)	1,188,930	643,485
Contributed capital	248,780	12,482,920	12,731,700	-
Restricted for debt service	-	759,525	759,525	-
Unreserved	<u>1,151,121</u>	<u>451,169</u>	<u>1,602,290</u>	<u>(163,564)</u>
TOTAL NET ASSETS	<u>3,151,063</u>	<u>13,131,382</u>	<u>16,282,445</u>	<u>479,921</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,675,302</u>	<u>\$ 23,154,177</u>	<u>\$ 26,829,479</u>	<u>\$ 5,126,370</u>

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**STATEMENT OF ACTIVITIES**  
**March 31, 2006**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Primary Government		
						Governmental Activities	Business-Type Activities	Component Units
Primary government:								
Government activities:								
General government	\$ 118,873	\$ 8,149	\$ -	\$ -	\$ (110,724)	\$ -	\$ (110,724)	\$ -
Public safety	49,491	15,000	-	-	(34,491)	-	(34,491)	-
Public works	1,901,296	-	195,211	1,735,019	28,934	-	28,934	-
Recreation and culture	125,140	83,728	1,334	-	(40,078)	-	(40,078)	-
Community services	44,840	-	-	-	(44,840)	-	(44,840)	-
Other	215,868	-	-	-	(215,868)	-	(215,868)	-
Total governmental activities	2,455,508	106,877	196,545	1,735,019	(417,067)	-	417,067	-
Business-type activities:								
Water	790,327	978,093	-	-	-	187,766	187,766	-
Sewer	315,314	169,347	-	-	-	(145,967)	(145,967)	-
Total business-type activities	1,105,641	1,147,440	-	-	-	41,799	41,799	-
Total primary government	\$ 3,561,149	\$ 1,254,317	\$ 196,545	\$ 1,735,019	(417,067)	41,799	(375,268)	-
Component units:								
DDA District	\$ 86,127	\$ 2,500	\$ 1,166	-	-	-	-	(82,461)
Hospital	12,213,439	10,787,062	-	-	-	-	-	(1,426,377)
Total component units	\$ 12,299,566	\$ 10,789,562	\$ 1,166	-	-	-	-	(1,508,838)
General Revenues:								
Property taxes, levied for general operations					484,475	-	484,475	98,202
State shared revenue					180,378	-	180,378	-
Interest and investment earnings					14,460	15,787	30,247	15,529
Transfers					(160,000)	160,000	-	-
Gain on sale of assets					34,316	-	34,316	-
Other					82,354	22,520	104,874	240,154
Total general revenues, transfers, and special items					635,983	198,307	834,290	353,885
Change in Net Assets					218,916	240,106	459,022	(1,154,953)
Net Assets - Beginning					2,932,147	12,891,276	15,823,423	1,634,874
Net Assets - Ending					\$ 3,151,063	\$ 13,131,382	\$ 16,282,445	\$ 479,921

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**March 31, 2006**

	General Fund	Major Street Fund	Capital Projects (M-64) Fund	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 575,246	\$ 231,622	\$ 85	\$ 352,485	\$ 1,159,438
Taxes receivable	31,754	-	-	51,421	83,175
Accounts receivable	-	-	1,974	-	1,974
Due from other funds	6,470	-	-	-	6,470
Due from component unit	1,420	-	-	-	1,420
Due from governmental units	-	21,509	-	9,580	31,089
<b>TOTAL CURRENT ASSETS</b>	<b>\$ 614,890</b>	<b>\$ 253,131</b>	<b>\$ 2,059</b>	<b>\$ 413,486</b>	<b>\$ 1,283,566</b>
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 30,401	\$ 227	\$ -	\$ 251	\$ 30,879
Accrued expenses	20,931	3,124	-	2,546	26,601
Due to other funds	2,374	10,183	1,696	10,565	24,818
Due to component units	-	-	-	16,668	16,668
Due to other governmental units	-	-	363	-	363
Deferred revenue	11,180	-	-	28,331	39,511
<b>TOTAL CURRENT LIABILITIES</b>	<b>64,886</b>	<b>13,534</b>	<b>2,059</b>	<b>58,361</b>	<b>138,840</b>
<b>FUND BALANCES:</b>					
Unreserved	550,004	239,597	-	355,125	1,144,726
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 614,890</b>	<b>\$ 253,131</b>	<b>\$ 2,059</b>	<b>\$ 413,486</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,788,550
Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The assets and liabilities are included in the governmental activities of the statement of net assets.	585,161
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.	(367,374)
Net assets of governmental activities	<u>\$ 3,151,063</u>

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**Year Ended March 31, 2006**

	General Fund	Major Street Fund	Capital Projects (M-64) Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 370,065	\$ -	\$ -	\$ 114,410	\$ 484,475
State revenue	180,378	131,422	-	63,789	375,589
Grant revenue	11,334	297,396	1,419,230	8,393	1,736,353
Charges for services	106,877	-	-	-	106,877
Interest	8,946	1,087	-	2,549	12,582
Other revenue	116,569	-	-	101	116,670
Total revenues	794,169	429,905	1,419,230	189,242	2,832,546
Expenditures:					
General government	128,435	-	-	-	128,435
Public safety	49,491	-	-	-	49,491
Public works	127,951	507,534	1,418,991	118,163	2,172,639
Recreation and culture	125,140	-	-	-	125,140
Community promotion	44,840	-	-	-	44,840
Other	215,868	-	-	-	215,868
Total expenditures	691,725	507,534	1,418,991	118,163	2,736,413
Excess (deficiency) of revenue over expenditures	102,444	(77,629)	239	71,079	96,133
Other Financing Sources (Uses)					
Operating transfers in	-	127,000	-	118,000	245,000
Operating transfers out	(160,000)	-	-	(245,000)	(405,000)
Total other financing sources (uses)	(160,000)	127,000	-	127,000	(160,000)
Net change in fund balance	(57,556)	49,371	239	(55,921)	(63,867)
Fund Balances - Beginning of Year	607,560	190,226	(239)	411,046	
Fund Balances - End of Year	\$ 550,004	\$ 239,597	\$ -	\$ 355,125	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures. This amount represents depreciation.	307,382
Accrued expenses recorded in the statement of activities are not recorded as expenditures in the governmental funds until they are incurred.	(350)
Internal service fund (Equipment Fund) is used to charge costs of equipment and operations to individual funds. The net revenue (expense) is reported with governmental activities.	(24,249)
Change in net assets of governmental activities	\$ 218,916

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**PROPRIETARY FUNDS**  
**BALANCE SHEET**  
**Year Ended March 31, 2006**

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 337,384	\$ 289,212
Accounts receivable	101,886	-
Due from other funds	33,513	31,985
Due from component unit	-	7,715
Total current assets	<u>472,783</u>	<u>328,912</u>
Restricted cash	<u>842,800</u>	<u>-</u>
Property, plant, and equipment	25,912,715	1,222,366
Accumulated depreciation & amortization	<u>(4,026,165)</u>	<u>(924,080)</u>
	<u>21,886,550</u>	<u>298,286</u>
TOTAL ASSETS	<u>\$ 23,202,133</u>	<u>\$ 627,198</u>
LIABILITIES:		
Current liabilities:		
Accounts payable	\$ 28,811	\$ 7,337
Accrued expenses	22,177	986
Customer deposits	5,945	-
Notes payable	-	4,000
Due to other funds	47,956	(806)
Current maturities on long term debt	<u>302,000</u>	<u>-</u>
Total current liabilities	<u>406,889</u>	<u>11,517</u>
Long-term liabilities:		
Bonds/note payable	<u>9,663,862</u>	<u>30,520</u>
TOTAL LIABILITIES	<u>10,070,751</u>	<u>42,037</u>
FUND EQUITY:		
Contributed capital	<u>12,482,920</u>	<u>248,780</u>
Retained earnings:		
Reserved	759,525	-
Unreserved - Undesignated	<u>(111,063)</u>	<u>336,381</u>
Total retained earnings	<u>648,462</u>	<u>336,381</u>
TOTAL FUND EQUITY	<u>13,131,382</u>	<u>585,161</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 23,202,133</u>	<u>\$ 627,198</u>

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN RETAINED EARNINGS**  
**Year Ended March 31, 2006**

	Business-Type Activities <u>Enterprise Funds</u> Sewer/Water System	Governmental Activities <u>Internal Service Funds</u>
OPERATING REVENUES:		
Sales and charges for services	\$ 1,137,160	\$ 169,926
Fines, forfeitures, and penalties	10,280	-
Other revenue	<u>22,520</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>1,169,960</u>	<u>169,926</u>
EXPENSES:		
Salaries, wages, and fringe benefits	284,087	26,434
Supplies, materials, and other	67,854	17,171
Repair and maintenance	9,228	25,523
Insurance	30,798	6,262
Utilities	93,502	22,113
Other services and support	64,653	575
Depreciation	<u>517,115</u>	<u>96,241</u>
TOTAL OPERATING EXPENSES	<u>1,067,237</u>	<u>194,319</u>
OPERATING INCOME (LOSS)	102,723	(24,393)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	15,787	1,878
Interest expense	(279,782)	(1,734)
Operating transfers in	<u>160,000</u>	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>103,995</u>	<u>(144)</u>
NET INCOME (LOSS)	(1,272)	(24,249)
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR	408,356	360,630
ADJUSTMENTS TO FUND EQUITY:		
Add depreciation on fixed assets acquired with new capital	<u>241,378</u>	<u>-</u>
RETAINED EARNINGS (DEFICIT), END OF YEAR	<u>\$ 648,462</u>	<u>\$ 336,381</u>

The accompanying notes to financial statements are an integral part of this statement.



**VILLAGE OF ONTONAGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended March 31, 2006**

	Business Type Activities Enterprise Funds	Governmental Activities Internal Service Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 1,155,254	\$ 0	\$ 1,114,546
Payments to suppliers	(206,674)	(71,169)	(864,841)
Internal activity -- receipts (payments) to other funds	(41,606)	169,926	162,648
Payments to employees	(280,589)	(25,634)	(311,067)
Other receipts (payments)	22,520	0	429,487
Net cash provided by operating activities	<u>648,905</u>	<u>73,123</u>	<u>530,773</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>174,984</u>	<u>(41,307)</u>	<u>149,755</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions	0	0	349,100
Purchases of capital assets	(20,101)	(53,775)	(70,417)
Principal paid on capital debt	(301,138)	(4,000)	(200,000)
Interest paid on capital debt	(279,782)	(1,734)	(385,352)
Net cash (used) by capital and related financing activities	<u>(601,021)</u>	<u>(59,509)</u>	<u>(306,669)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>15,787</u>	<u>1,878</u>	<u>7,808</u>
Net cash provided by investing activities	<u>15,787</u>	<u>1,878</u>	<u>7,808</u>
Net (decrease) in cash and cash equivalents	238,655	(25,815)	381,667
Balances -- beginning of the year	941,529	315,027	874,889
Balances -- end of the year	<u>\$ 1,180,184</u>	<u>\$ 289,212</u>	<u>\$ 1,256,556</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>			
(used) by operating activities:			
Operating income (loss)	\$ 102,723	\$ (24,393)	\$ 165,275
Adjustments to reconcile operating income to net cash provided			
(used) by operating activities:			
Depreciation expense	517,115	96,241	609,942
Change in assets and liabilities			
Receivables, net	7,565	0	30,137
Accounts and other payables	18,004	475	(274,509)
Accrued Expenses	3,498	800	(72)
Net cash provided by operating activities	<u>\$ 648,905</u>	<u>\$ 73,123</u>	<u>\$ 530,773</u>

The accompanying notes to financial statements are an integral part of this statement.



## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Ontonagon, Michigan, conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies:

### REPORTING ENTITY

The Village of Ontonagon is incorporated under the laws of the State of Michigan and operates under an elected council form of government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village of Ontonagon (the primary government) and its component units. The component units discussed below are included in the Village's reporting entity because of the significance of their operational or financial relationships with the Village. The criteria and guidelines of the Governmental Accounting Standards Board Statement Number 14 *The Reporting Entity* are utilized to determine that all applicable entities are included in the combined financial statements of the Village. The primary criterion for inclusion is the degree of oversight responsibility over such entities by the Village's elected officials. This responsibility includes financial interdependency, selection of governing authority, selection of management, ability to significantly influence operations, and accountability for fiscal matters. Additional criteria that are considered even if there is no significant oversight responsibility are an entity's scope of public service and special financing relationships between a particular agency and the reporting entity.

Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity:

Ontonagon Memorial Hospital - the hospital is owned by the Village of Ontonagon. The Village is financially accountable for the hospital. The hospital, therefore, is included in these financial statements using the "discrete presentation method."

Downtown Development Authority - the Downtown Development Authority (DDA) is a separate legal entity; however, the Village is financially accountable for the DDA. Therefore, the DDA is included with the Village financial statements using the "discrete presentation method."

Ontonagon Housing Commission - the Village is not financially accountable for the Housing Commission nor does it have a significant relationship. Therefore, the Housing Commission is not included as part of the Village reporting entity.

The Ontonagon Memorial Hospital and the Ontonagon Housing Commission are audited separately by other auditors. These audits are under separate cover. Copies of these audits may be obtained from the Ontonagon Village manager.

### DISCRETELY PRESENTED COMPONENT UNITS

The combined financial statements include the financial data of the Village's component units: the Ontonagon Memorial Hospital, and the Downtown Development Authority (DDA). These units are reported in a separate column to emphasize that it is legally separate from the Village. Copies of these audits may be obtained from the Ontonagon Village manager.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Village as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements exclude fiduciary activities such as pension and agency funds.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements of governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each different identifiable activity of the business-type activities of the Village and for each governmental program. Expenses are those that are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the Village.

Internal activity is limited to interfund transfers which are eliminated to avoid "doubling up" revenues and expenses. Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue and capital projects and the restrictions on their net asset use.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The two major governmental funds are each presented in a single column on the governmental fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects (—64 Bridge) - This fund is accounting for the construction project funded through U.S. Department of Housing and Urban Development - State Programs and passed through from the State of Michigan. The project funds are being administered by the Village and the construction is being performed by the Michigan Department of Transportation.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Village reports the following proprietary funds:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Village or to other governments, on a cost - reimbursement basis. The Village maintains one Internal Service Fund, which is the Equipment Fund.

Additionally, the Village reports the following non-major governmental funds: Major Street, Local Street and Road.

**BUDGETARY DATA**

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. In February, the Village Manager submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A public hearing is conducted to obtain taxpayer comments.
- c. Prior to April 1, the budget is legally enacted by resolution.
- d. The Village Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Village Council.
- g. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
- h. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Village council throughout the operating year.

In accordance with the State of Michigan Budgeting and Accounting Act, the Village must adopt an annual operating budget for the General and Special Revenue Funds.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

Cash and Cash Equivalents - The Village's cash and cash equivalents include cash on hand, certificates of deposit, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the village to invest in U.S. government obligations, certificates of deposit, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan. The Village does have an investment policy that meets state statutory regulations.

Restricted assets - Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the "Bond Requirements" accounts are used for the payment of current debt obligations.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds."

Property Taxes - Property taxes are levied on July 1. The Village collects its own property taxes until September 14, at which time collection is turned over to Ontonagon County for collection.

The tax rate to finance general Village government services for the year ended March 31, 2006, was \$12.50 per \$1,000 of assessed value. At July 1, 2005 taxable valuation was \$31,707,791 which computed to \$399,501 taxes levied. Additional millage was levied county-wide for road improvements which amounted to \$159,409 for the Village Road Fund.

Fixed Assets - Fixed assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits, and bond interest costs. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

Buildings and additions	20-50 Years
Vehicles and equipment	5-10 Years
Furniture and other equip-	5-10 Years

Fund Equity - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Unreserved retained earnings for proprietary funds represent the net assets available for future operations or distributions. Reserved fund balance for governmental funds represent that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spending resources. Reserved retained earnings for proprietary funds represent the net assets that have been legally identified for specific purposes.



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributed capital - The Village follows the policy of reducing contributed capital in the equipment, water, and sewer fund for an amount equal to the yearly depreciation on assets acquired or constructed with such contributed capital. This policy is based on the premise that future replacement of these facilities will be funded by the users who benefit from the facilities and not current users through the current rate structure. At March 31, 2006, Federal, State and Local contributed capital of \$14,140,202 has been reduced by an aggregate of \$1,408,502. The current year amortization is \$241,378.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances - Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Village does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

Compensated Absences - The liability for compensated absences reported in the government-wide statements consist of unpaid sick leave balances. As of March 31, 2006, accrued unpaid sick pay totaled \$52,374. Accrued sick time is payable upon termination of employment or retirement.

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**NOTE B - CASH AND CASH EQUIVALENTS**

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Fiduciary Funds	Total Government
Cash and investments	<u>\$ 1,448,650</u>	<u>\$ 1,180,184</u>	<u>\$ 0</u>	<u>\$ 2,628,834</u>

Primary Government - At March 31, 2006, the book value of the Village's demand deposits, consisting primarily of checking and savings accounts, certificates of deposit and other cash equivalents, was \$2,628,834 with a corresponding bank balance of \$2,638,128. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$1,145,151, representing approximately 43% of the Village's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$1,145,151 was insured and \$1,492,977 was neither insured or collateralized.

The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

**NOTE B - CASH AND CASH EQUIVALENTS (Continued)**

Component Units

*Downtown Development Authority* - At March 31, 2006, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$49,485. One hundred percent (100%) of the deposits are insured by the Federal Deposit Insurance Corp. (FDIC) at March 31, 2006, per FDIC regulation number 330.8.

*Ontonagon Memorial Hospital* - At March 31, 2006, the book value of demand deposits, consisting primarily of checking and certificates of deposit, was \$413,523. Approximately \$364,000 was not insured by the Federal Deposit Insurance Corp. (FDIC) at March 31, 2006, per FDIC regulation number 330.8

**NOTE C - INTERFUND BALANCES AND TRANSFERS**

The amounts of interfund balances at March 31, 2006 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 6,470	Local Street	\$ 1,774
		Major Street	3,000
		—64	1,696
Subtotal	<u>6,470</u>	Subtotal	<u>6,470</u>
Sewer	1,995	General Fund	50
		Water Fund	1,945
Subtotal	<u>1,995</u>	Subtotal	<u>1,995</u>
Water	31,518	General Fund	1,518
		Sewer Fund	30,000
Subtotal	<u>31,518</u>	Subtotal	<u>31,518</u>
Equipment	32,791	Water Fund	15,690
		Sewer Fund	321
		Local Street Fund	8,791
		General Fund	806
		Major Street	7,183
Subtotal	<u>32,791</u>	Subtotal	<u>32,791</u>
TOTALS	<u>\$ 72,774</u>	TOTALS	<u>\$ 72,774</u>

**NOTE D - FIXED ASSETS**

Fixed Asset activity of the Village's governmental activities was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Land	\$ 670,485	\$ 48,400	\$ 0	\$ 718,885
Building and additions	1,286,363	0	0	1,286,363
Equipment and furniture	879,095	58,117	0	937,212
Vehicles	500,163	0	0	500,163
Roads and Streets	896,851	372,726	0	1,269,577
Subtotal	<u>4,232,957</u>	<u>479,243</u>	<u>0</u>	<u>4,712,200</u>
Accumulated depreciation:				
Building and additions	739,896	32,863	0	772,759
Equipment and furniture	587,972	77,648	0	665,620
Vehicles	385,057	27,823	0	412,880
Roads and Streets	698,112	75,993	0	774,105
Subtotal	<u>2,411,037</u>	<u>214,327</u>	<u>0</u>	<u>2,625,364</u>
Net capital assets	<u>\$ 1,821,920</u>	<u>\$ 264,916</u>	<u>\$ 0</u>	<u>\$ 2,086,836</u>



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

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**NOTE D - FIXED ASSETS (Continued)**

Depreciation expense was charged to governmental activities of the Village as follows:

General Fund	\$	42,093
Equipment Fund		96,241
Major Streets Fund		72,016
Local Streets Fund		3,977
	\$	<u>214,327</u>

The components of property, plant, and equipment in Village proprietary funds at March 31, 2006 are summarized as follows:

	Sewer Fund	Water Fund	Equipment Fund
Land & Improvements	\$ 16,533	\$ 20,000	\$ 0
Building	1,585,295	240,426	0
Lines and mains	6,244,147	17,646,232	0
Equipment	38,782	57,816	722,203
Vehicles	4,290	59,193	500,163
Total	7,889,047	18,023,667	1,222,366
Allowances for Depreciation	(2,109,096)	(1,917,070)	(924,080)
Balance	<u>\$ 5,779,951</u>	<u>\$ 16,106,597</u>	<u>\$ 298,286</u>

**NOTE E - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS**

Sewer Fund – The ordinance authorizing issuance of the 1996 and 1997 Sanitary Sewage Disposal System Revenue Bonds required that specific accounts be established and monies deposited as follows:

Bond and Interest Reserve Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due.

Bond Reserve Account - Excess funds of up to \$4,850 per quarter are to be transferred to this account until \$194,000 is accumulated.

Water Fund – The ordinance authorizing issuance of the 2004 General Obligation Limited Tax Bonds, require that specific accounts be established and monies deposited as follows:

Bond Reserve Account - Quarterly transfers are to be made equal to ½ of the next interest payment due plus ¼ of the next principal payment due placed in the bond reserve account. In addition, the repair, replacement and improvement account will continue to be maintained.



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

**NOTE E - RESERVES AND RESTRICTED ASSETS - PROPRIETARY FUNDS (Continued)**

At March 31, 2006, the Village had established these accounts and had restricted cash, as required, as follows:

	REQUIREMENTS			Amount Funded in Restricted Cash Balance
	March 31, 2005	Additions (deletions)	March 31, 2006	
SEWER FUND				
Bond and interest reserve account	\$ 16,000	\$ 250	\$ 16,250	\$ 65,667
Bond reserve account	162,575	19,400	181,975	181,975
	<u>178,575</u>	<u>19,650</u>	<u>198,225</u>	<u>247,642</u>
WATER FUND				
Bond debt retirement fund	166,435	587	167,022	511,882
Repair, replacement & improvement	71,805	0	71,805	72,598
	<u>238,240</u>	<u>587</u>	<u>238,827</u>	<u>584,480</u>
	<u>\$ 416,815</u>	<u>\$ 20,237</u>	<u>\$ 437,052</u>	<u>\$ 832,122</u>

**NOTE F - LONG-TERM DEBT**

**ENTERPRISE FUNDS**

1996 Sanitary Sewage Disposal System Revenue Bonds - On October 2, 1996, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$3,000,000. The bonds were issued with an interest rate of 4.5% per annum with principal amounts payable September 1 and interest payable semi-annually on September 1 and March 1.

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2007	\$ 42,000	\$ 60,818	\$ 59,917	\$ 162,735
2008	44,000	59,918	58,972	162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018-2022	370,000	226,508	218,520	815,028
2023-2027	457,000	183,038	173,206	813,244
2028-2032	574,000	129,107	116,754	819,861
2033-2037	712,000	61,560	43,377	816,937
	<u>\$ 2,692,000</u>	<u>\$ 1,212,307</u>	<u>\$ 1,151,478</u>	<u>\$ 5,055,785</u>



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

**NOTE F - LONG-TERM DEBT (Continued)**

1997 Sanitary Sewage Disposal System Revenue Bonds - On June 26, 1997, the Village of Ontonagon authorized the sale of Sanitary Sewage Disposal System Revenue Bonds in the amount of \$493,143. The bonds were issued at an interest rate of 2.25% per annum with principal amounts payable October 1 and interest payable semi-annually on April 1 and October 1.

Year Ended March 31	Interest		Principal October	Total
	April	October		
2007	\$ 3,579	\$ 3,579	\$ 25,000	\$ 32,158
2008	3,298	3,298	25,000	31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 23,733</u>	<u>\$ 23,733</u>	<u>\$ 315,000</u>	<u>\$ 362,466</u>

2004 Water Bonds - On June 14, 2004, the Village of Ontonagon refunded the Water Supply System Revenue Bond with the Michigan Municipal Bond Authority in the amount of \$7,370,000. The bonds were issued at an interest rate of 2.125% per annum with principal amounts payable October 1 and interest payable semi-annually on October 1 and April 1.

Year Ended March 31	Interest		Principal October	Total
	April	October		
2007	\$ 74,522	\$ 74,522	\$ 185,000	\$ 334,044
2008	72,557	72,557	190,000	335,114
2009	70,538	70,538	195,000	336,076
2010	68,466	68,466	200,000	336,932
2011	66,341	66,341	200,000	332,682
2012	64,216	64,216	205,000	333,432
2013	62,038	62,038	210,000	334,076
2014	59,807	59,807	215,000	334,614
2015	57,522	57,522	220,000	335,044
2016	55,185	55,185	225,000	335,370
2017	52,794	52,794	230,000	335,588
2018	50,350	50,350	235,000	335,700
2019	47,854	47,854	240,000	335,708
2020-2024	199,955	199,956	1,275,000	1,674,911
2025-2029	129,406	129,406	1,415,000	1,673,812
2030-2034	50,886	50,886	1,518,862	1,620,634
TOTALS	<u>\$ 1,182,437</u>	<u>\$ 1,182,438</u>	<u>\$ 6,958,862</u>	<u>\$ 9,323,737</u>



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS – MARCH 31, 2006**

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**NOTE F - LONG-TERM DEBT (Continued)**

INTERNAL SERVICE FUND (EQUIPMENT FUND)

Fire Truck Installment - On December 8, 1998, the Village entered into a \$57,520 loan contract with USDA for the purpose of purchasing a fire truck. The loan was financed at an interest rate of 4.75% per annum. Principal amounts payable December 1 and interest payable bi-annually on June 1 and December 1.

<u>Year</u>	<u>June Interest</u>	<u>December Interest</u>	<u>December Principal</u>	<u>Total</u>
2007	\$ 820	\$ 725	\$ 4,000	\$ 5,545
2008	725	630	4,000	5,355
2009	630	535	4,000	5,165
2010	535	440	4,000	4,975
2011	440	345	4,000	4,785
2012	345	250	4,000	4,595
2013	250	125	5,260	5,635
2014	125	0	5,260	5,385
TOTAL	<u>\$ 3,870</u>	<u>\$ 3,050</u>	<u>\$ 34,520</u>	<u>\$ 41,440</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

1998 Loan of Federal Funds - Payable to Michigan Jobs Commission - On 1998, the Village of Ontonagon entered into a \$315,000 loan contract with the Michigan Jobs Commission for the purpose of Renaissance Zone Industrial Park. The loan was financed at an interest rate of not less than 5% per annum. The maximum term of the loan is 20 years with no interest in the first 5 years. Interest begins to accrue in the 4<sup>th</sup> year. The debt (up to 90%) will be forgiven at the rate of \$20,000 per job created by the project.

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$ 15,750	\$ 14,598	\$ 30,348
2007-2008	15,021	15,327	30,348
2008-2009	14,254	16,094	30,348
2009-2010	13,449	16,899	30,348
2010-2011	12,604	17,744	30,348
2011-2012	11,717	18,631	30,348
2012-2013	10,786	19,562	30,348
2013-2018	38,240	113,500	151,740
2018-2020	8,399	82,645	91,044
TOTAL	<u>\$ 140,220</u>	<u>\$ 315,000</u>	<u>\$ 455,220</u>



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

**NOTE F - LONG-TERM DEBT (Continued)**

The aggregate amount of maturities on long-term debt by fund type:

**ENTERPRISE FUNDS**

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 252,000	\$ 276,937	\$ 528,937
2008	259,000	270,600	529,600
2009	266,000	264,065	530,065
2010	272,000	257,332	529,332
2011	275,000	250,428	525,428
2012	282,000	243,433	525,433
2013	290,000	236,220	526,220
2014	296,000	228,786	524,786
2015	310,000	221,157	531,157
2016	317,000	213,199	530,199
2017	350,000	204,996	554,996
2018-2022	1,595,000	897,533	2,492,533
2023-2027	1,812,000	673,280	2,485,280
2028-2032	2,084,000	412,447	2,496,447
2033-2037	1,305,862	125,713	1,431,575
	<u>\$ 9,965,862</u>	<u>\$ 4,776,126</u>	<u>\$ 14,741,988</u>

**INTERNAL SERVICE FUNDS**

March 31, 2006

<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006-2007	\$ 1,545	\$ 4,000	\$ 5,545
2007-2008	1,355	4,000	5,355
2008-2009	1,165	4,000	5,165
2009-2010	975	4,000	4,975
2010-2014	1,880	18,520	20,400
TOTAL	<u>\$ 6,920</u>	<u>\$ 34,520</u>	<u>\$ 41,440</u>

The following is a summary of the changes in the long-term debt for the year ended March 31, 2006:

	<u>Balance 03/31/05</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 03/31/06</u>
1996 Sanitary Sewage Bonds	\$ 2,732,000	\$ 0	\$ 40,000	\$ 2,692,000
1997 Sanitary Sewage Bonds	340,000	0	25,000	315,000
2000 Water Bonds Series A	0	0	0	0
2000 Water Bonds Series B	0	0	0	0
2003 Water Bonds	0	0	0	0
2003 Water Bonds	<u>7,138,862</u>	<u>0</u>	<u>180,000</u>	<u>6,958,862</u>
Sub-Total Enterprise Funds	<u>10,210,862</u>	<u>0</u>	<u>245,000</u>	<u>9,965,862</u>
Fire Truck Purchase	38,520	0	4,000	34,520
Michigan Jobs Commission	315,000	0	0	315,000
Accrued Sick Leave	52,024	350	0	52,374
TOTAL	<u>\$ 10,616,406</u>	<u>\$ 350</u>	<u>\$ 249,000</u>	<u>\$ 10,367,756</u>



**VILLAGE OF ONTONAGON**  
**NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2006**

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**NOTE G - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended March 31, 2006 is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating revenues	\$170,235	\$999,725
Depreciation	\$(154,804)	\$(362,311)
Income (loss) from operations	\$(69,997)	\$172,720
Non-operating revenues	\$164,470	\$11,317
Non-operating (expenditures)	\$(129,409)	\$(150,373)
Net Income (loss)	\$(34,936)	\$33,664
Property, Plant, & Equipment:		
Additions	\$-	\$20,100
Disposal	\$-	\$-
Total assets	\$6,082,226	\$17,072,328
Net working capital (deficit)	\$(26,182)	\$92,076
Long-term liabilities-payable from operating revenues	\$3,007,000	\$6,958,862
Total Equity	\$3,061,412	\$10,069,970

**NOTE H - PENSION PLANS**

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Village participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefits provisions of the participants in MERS. The Municipal Employees Retirement system of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement system of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

The Village is required to contribute to the plan at an actuarially determined rate. The current rate, as a percent of annual covered payroll, is 13.13% for general employees and 13.97% for administrative employees. Village employees are required to contribute 0% of their annual covered payroll. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

During the fiscal year ended March 31, 2006, the Village of Ontonagon's contributions, totaling \$66,460, were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 1998. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level funding method, annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer's normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for their projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age related scale to reflect merit, longevity, and promotional salary increases.



**NOTE I - DEFERRED COMPENSATION PLAN**

The employees of the Village are allowed to contribute on a voluntary basis to a deferred compensation plan through payroll deductions. The plan is made available to all eligible employees by authority of Section 457 of the Internal Revenue Code (IRC), and is administered by PEBSCO. Employees may set aside and invest portions of their current income to meet their financial requirements and supplement their retirement and social security benefits.

Due to changes in the Internal Revenue Code, the Plan's assets are considered to be the property of the Plan's participants and are no longer subject to the Village's general creditors. Also, as the Village relies on a third party for administration and investment management of the plan, the Village is no longer required to report the 457 plan assets on its financial statements.

**NOTE J - ONTONAGON MEMORIAL HOSPITAL**

As discussed in Note A concerning the reporting entity, the hospital is considered a component unit of the Village of Ontonagon for financial reporting purposes.

The Ontonagon Memorial Hospital is audited by other auditors under a separate cover. The separate audited financial statement contains various notes which detail significant financial disclosures.

The hospital has issued revenue bonds in the name of the Village of Ontonagon. The balance of bonds payable at March 31, 2006 was \$15,000. Additionally, the hospital has capital leases payable of \$681,084, operating leases payable of \$99,375, land contracts payable of \$59,673, and notes payable of \$478,826.

**NOTE K - COMMITMENTS AND CONTINGENCIES**

Rental Rehabilitation Grant MSHDA

The Village has been awarded a Michigan State Housing Development Authority Grant in the amount of \$243,900 for rental rehabilitation program. The grant revenue is 100% federal funds.

Michigan Department of Transportation Sand/Salt Shed

Construction agreement between the Village and the Michigan Department of Transportation to erect a sand/salt shed costing an estimated \$250,000. The Village portion of the construction is expected to be \$34,000. Construction is expected to be completed in October, 2006.

Ontonagon Memorial Hospital

As of March 31, 2006 the Ontonagon Memorial Hospital had a deficit fund balance. On August 17, 2006, the Village advanced \$50,000 to the Hospital for the appointment of a consultant to assist in improving the financial position.



**NOTE L - RISK MANAGEMENT**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages its liability workers' compensation and property risk, by participating in Michigan Municipal Risk Management Authority Liability and Property Pool, a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Michigan Municipal Risk Management Authority Liability and Property Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE M - CONTINGENT LIABILITIES**

Solid-Waste Landfill

The Village was an operator of a municipal solid-waste landfill which was closed in 1987. The Village has not recorded or recognized any costs or liability for the landfill post-closure care requirements. Village engineers have estimated the landfill clean-up cost to be approximately \$350,000.

The Village is seeking financial assistance from the State of Michigan (the landowner) and from Ontonagon County in connection with this matter.

**NOTE N - RECLASSIFICATIONS**

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 classifications.



**REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION**



**VILLAGE OF ONTONAGON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**For the Year Ended March 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 348,400	\$ 348,400	\$ 370,065	\$ 21,665
State sources	182,000	182,000	180,378	(1,622)
Federal sources	133,150	133,150	243,726	110,576
TOTAL REVENUE	<u>663,550</u>	<u>663,550</u>	<u>794,169</u>	<u>130,619</u>
EXPENDITURES:				
General government				
Board/Council/Legislative	25,400	25,400	20,121	5,279
Executive/Manager	40,470	40,470	29,366	11,104
Village Office	45,600	45,600	53,618	(8,018)
Chamber Building	1,350	1,350	1,201	149
Clerk	19,000	19,000	16,292	2,708
Treasurer	10,870	10,870	4,338	6,532
Legal, accounting, and audit	4,275	4,275	2,380	1,895
Assessor	1,800	1,800	1,119	681
Public safety	58,700	58,700	49,491	9,209
Public works	129,100	129,100	127,951	1,149
Recreation and culture	165,250	165,250	125,140	40,110
Community promotion	68,100	68,100	44,840	23,260
Insurance and fringe benefits	186,950	186,950	215,868	(28,918)
TOTAL EXPENDITURES	<u>756,865</u>	<u>756,865</u>	<u>691,725</u>	<u>65,140</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(93,315)	(93,315)	102,444	195,759
OTHER FINANCING SOURCES (USES)				
Operating transfers out	<u>(160,000)</u>	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (253,315)</u>	<u>\$ (253,315)</u>	<u>(57,556)</u>	<u>\$ 195,759</u>
FUND BALANCE - BEGINNING OF YEAR			<u>607,560</u>	
FUND BALANCE - END OF YEAR			<u>\$ 550,004</u>	



## **SUPPLEMENTAL FINANCIAL INFORMATION**



**VILLAGE OF ONTONAGON**  
**GENERAL FUND**  
**BALANCE SHEETS**  
**March 31, 2006**  
**With Comparative Totals at March 31, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 575,246	\$ 622,785
Taxes receivable	31,754	29,317
Accounts receivable	-	-
Due from other funds	6,470	5,060
Due from component unit	<u>1,420</u>	<u>1,119</u>
TOTAL CURRENT ASSETS	<u>\$ 614,890</u>	<u>\$ 658,281</u>
LIABILITIES:		
CURRENT LIABILITIES:		
Accounts payable	\$ 30,401	\$ 19,470
Accrued expenses	20,931	16,171
Due to other funds	2,374	782
Deferred revenue	<u>11,180</u>	<u>14,298</u>
TOTAL CURRENT LIABILITIES	<u>64,886</u>	<u>50,721</u>
FUND BALANCES:		
Unreserved	<u>550,004</u>	<u>607,560</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 614,890</u>	<u>\$ 658,281</u>



**VILLAGE OF ONTONAGON**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended March 31, 2006**  
**With Comparative Actual Amounts for Year Ended March 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
REVENUES:				
Current taxes:				
Property Taxes	\$ 341,700	\$ 358,707	\$ (17,007)	\$ 349,815
Penalties & interest on tax	1,400	-	1,400	1,021
Payments in lieu of tax	1,500	7,368	(5,868)	6,730
Administration fees	3,800	3,990	(190)	5,446
Total current taxes	<u>348,400</u>	<u>370,065</u>	<u>(21,665)</u>	<u>363,012</u>
State revenue:				
Sales tax	<u>182,000</u>	<u>180,378</u>	<u>1,622</u>	<u>182,288</u>
Total state revenue	<u>182,000</u>	<u>180,378</u>	<u>1,622</u>	<u>182,288</u>
Grant revenue	<u>-</u>	<u>11,334</u>	<u>(11,334)</u>	<u>2,666</u>
Charges for services	<u>82,000</u>	<u>106,877</u>	<u>(24,877)</u>	<u>88,670</u>
Interest	<u>1,000</u>	<u>8,946</u>	<u>(7,946)</u>	<u>1,841</u>
Other revenue:				
Sale of assets	-	34,316	(34,316)	-
Refunds/reimbursements	-	9,447	(9,447)	10,544
Miscellaneous	150	11,733	(11,583)	6,015
Health services payments from retirees	<u>49,000</u>	<u>61,073</u>	<u>(12,073)</u>	<u>29,724</u>
Total other revenue	<u>49,150</u>	<u>116,569</u>	<u>(67,419)</u>	<u>46,283</u>
TOTAL REVENUES	<u>662,550</u>	<u>794,169</u>	<u>(131,619)</u>	<u>684,760</u>
EXPENDITURES:				
General Government:				
Board/Council/Legislative:				
Salaries, wages, and fringe benefits	14,000	12,999	1,001	14,614
Supplies, materials, and other	600	102	498	888
Other services and support	<u>10,800</u>	<u>7,020</u>	<u>3,780</u>	<u>9,074</u>
Total board/council/legislative	<u>25,400</u>	<u>20,121</u>	<u>5,279</u>	<u>24,576</u>
Executive/Manager:				
Salaries, wages, and fringe benefits	28,770	19,383	9,387	15,498
Supplies, materials, and other	500	124	376	150
Insurance	400	470	(70)	200
Utilities	900	197	703	215
Other services and support	<u>9,900</u>	<u>9,192</u>	<u>708</u>	<u>7,416</u>
Total executive/manager	<u>40,470</u>	<u>29,366</u>	<u>11,104</u>	<u>23,479</u>



**VILLAGE OF ONTONAGON**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended March 31, 2006**  
**With Comparative Actual Amounts for Year Ended March 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
Village Office:				
Salaries, wages, and fringe benefits	22,200	10,281	11,919	10,293
Supplies, materials, and other	8,500	12,102	(3,602)	9,056
Insurance	3,000	19,955	(16,955)	500
Utilities	4,500	5,230	(730)	4,375
Other services and support	2,400	2,962	(562)	2,090
Capital outlay	<u>5,000</u>	<u>3,088</u>	<u>1,912</u>	<u>199</u>
Total village office	<u>45,600</u>	<u>53,618</u>	<u>(8,018)</u>	<u>26,513</u>
Chamber Building	<u>1,350</u>	<u>1,201</u>	<u>149</u>	<u>734</u>
Clerk:				
Salaries, wages, and fringe benefits	16,500	14,017	2,483	13,753
Supplies, materials, and other	700	488	212	607
Insurance	1,000	1,050	(50)	200
Other services and support	<u>800</u>	<u>737</u>	<u>63</u>	<u>331</u>
Total clerk	<u>19,000</u>	<u>16,292</u>	<u>2,708</u>	<u>14,891</u>
Treasurer:				
Salaries, wages, and fringe benefits	9,120	3,734	5,386	3,735
Supplies, materials, and other	1,000	-	1,000	579
Other services and support	<u>750</u>	<u>604</u>	<u>146</u>	<u>35</u>
Total treasurer	<u>10,870</u>	<u>4,338</u>	<u>6,532</u>	<u>4,349</u>
Legal, accounting, and audit	<u>4,275</u>	<u>2,380</u>	<u>1,895</u>	<u>1,325</u>
Assessor	<u>1,800</u>	<u>1,119</u>	<u>681</u>	<u>1,133</u>
Total general government	<u>148,765</u>	<u>128,435</u>	<u>20,330</u>	<u>97,000</u>
Public Safety:				
Contracted police services	-	-	-	22,613
Building Inspection:				
Supplies, materials, and other	1,500	1,631	(131)	-
Other services and support	13,000	4,385	8,615	-
Fire Protection:				
Salaries, wages, and fringe benefits	2,300	2,340	(40)	1,800
Supplies, materials, and other	9,200	8,837	363	9,176
Insurance	3,800	3,100	700	3,217
Utilities	11,200	13,430	(2,230)	11,963
Other services and support	16,500	12,512	3,988	37,579
Capital outlay	<u>1,200</u>	<u>3,256</u>	<u>(2,056)</u>	<u>950</u>
Total public safety	<u>58,700</u>	<u>49,491</u>	<u>9,209</u>	<u>87,298</u>



**VILLAGE OF ONTONAGON**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended March 31, 2006**  
**With Comparative Actual Amounts for Year Ended March 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
Public Works:				
Department of Public Works:				
Salaries, wages, and fringe benefits	56,100	43,176	12,924	4,394
Supplies, materials, and other	13,500	14,499	(999)	13,731
Insurance	6,000	10,385	(4,385)	8,785
Utilities	500	372	128	179
Other services and support	17,000	11,328	5,672	7,075
Capital outlay	-	11,181	(11,181)	7,329
Total department of public works	<u>93,100</u>	<u>90,941</u>	<u>2,159</u>	<u>41,493</u>
Street lighting	<u>36,000</u>	<u>37,010</u>	<u>(1,010)</u>	<u>39,632</u>
Total public works	<u>129,100</u>	<u>127,951</u>	<u>1,149</u>	<u>81,125</u>
Recreation and Culture:				
Parks:				
Salaries, wages, and fringe benefits	5,400	3,924	1,476	4,137
Supplies, materials, and other	4,000	2,658	1,342	2,447
Insurance	1,000	2,000	(1,000)	1,000
Repairs and maintenance	4,000	1,293	2,707	-
Utilities	26,000	26,654	(654)	29,122
Other services and support	<u>1,500</u>	<u>3,170</u>	<u>(1,670)</u>	<u>1,960</u>
Total parks	<u>41,900</u>	<u>39,699</u>	<u>2,201</u>	<u>38,666</u>
Marina:				
Salaries, wages, and fringe benefits	22,600	15,260	7,340	15,779
Supplies, materials, and other	16,750	14,795	1,955	15,122
Repairs and maintenance	75,000	48,580	26,420	18
Insurance	1,000	1,236	(236)	980
Utilities	4,000	2,265	1,735	2,682
Repairs and maintenance	4,000	3,305	695	1,944
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,949</u>
Total marina	<u>123,350</u>	<u>85,441</u>	<u>37,909</u>	<u>40,474</u>
Total recreation and culture	<u>165,250</u>	<u>125,140</u>	<u>40,110</u>	<u>79,140</u>
Community Promotion:				
Supplies, materials, and other	1,500	8,894	(7,394)	5,463
Utilities	1,300	307	993	1,060
Other services and support	65,300	35,561	29,739	23,476
Capital outlay	<u>-</u>	<u>78</u>	<u>(78)</u>	<u>795</u>
Total community promotion	<u>68,100</u>	<u>44,840</u>	<u>23,260</u>	<u>30,794</u>
Other:				
Insurance and fringe benefits	<u>186,950</u>	<u>215,868</u>	<u>(28,918)</u>	<u>171,883</u>



**VILLAGE OF ONTONAGON**  
**GENERAL FUND**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CONTINUED)**  
**Year Ended March 31, 2006**  
**With Comparative Actual Amounts for Year Ended March 31, 2005**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>	<u>2005</u>
TOTAL EXPENDITURES	<u>756,865</u>	<u>691,725</u>	<u>65,140</u>	<u>547,240</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(94,315)</u>	<u>102,444</u>	<u>(196,759)</u>	<u>137,520</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>	<u>(195,000)</u>
TOTAL OTHER FINANCING SOURCES (USES):	<u>(160,000)</u>	<u>(160,000)</u>	<u>-</u>	<u>(195,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (254,315)</u>	<u>(57,556)</u>	<u>\$ (196,759)</u>	<u>(57,480)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>607,560</u>		<u>665,040</u>
FUND BALANCE, END OF YEAR		<u>\$ 550,004</u>		<u>\$ 607,560</u>



**VILLAGE OF ONTONAGON**  
**SPECIAL REVENUE FUNDS**

**BALANCE SHEETS**

**March 31, 2006**

**With Comparative Totals at March 31, 2005**

				Totals (Memorandum Only)	
	Major Street	Local Street	Road	2006	2005
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 231,622	\$ 252,826	\$ 99,659	\$ 584,107	\$ 542,783
Taxes receivable	-	-	51,421	51,421	45,034
Due from other funds	-	-	-	-	-
Due from component unit	-	-	-	-	-
Due from other governmental units	21,509	9,580	-	31,089	31,386
Total assets	<u>\$ 253,131</u>	<u>\$ 262,406</u>	<u>\$ 151,080</u>	<u>\$ 666,617</u>	<u>\$ 619,203</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 227	\$ 251	-	\$ 478	\$ 13,780
Accrued expenses	3,124	2,546	-	5,670	1,828
Deferred revenue	-	-	28,331	28,331	-
Due to component unit	-	-	16,668	16,668	-
Due to other funds	10,183	10,565	-	20,748	2,323
Total liabilities	<u>13,534</u>	<u>13,362</u>	<u>44,999</u>	<u>71,895</u>	<u>17,931</u>
<b>FUND EQUITY:</b>					
Fund Balance - Unreserved	<u>239,597</u>	<u>249,044</u>	<u>106,081</u>	<u>594,722</u>	<u>601,272</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$ 253,131</b></u>	<u><b>\$ 262,406</b></u>	<u><b>\$ 151,080</b></u>	<u><b>\$ 666,617</b></u>	<u><b>\$ 619,203</b></u>



**VILLAGE OF ONTONAGON**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**

**March 31, 2006**  
**With Comparative Totals at March 31, 2005**

	Major Street	Local Street	Road	Totals (Memorandum Only)	
				2006	2005
REVENUES:					
Current taxes	\$ -	\$ -	\$ 114,410	\$ 114,410	\$ 142,351
State revenue	428,818	63,789	8,393	501,000	173,915
Interest	1,087	1,090	1,459	3,636	3,312
Other revenue	-	100	1	101	8,738
Total revenues	429,905	64,979	124,263	619,147	328,316
EXPENDITURES:					
Salaries, wages, and fringe benefits	53,023	52,589	-	105,612	132,759
Supplies, materials, and other	16,249	14,324	2,769	33,342	19,068
Other services and support	438,262	46,331	2,150	486,743	140,913
Total expenditures	507,534	113,244	4,919	625,697	292,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,629)	(48,265)	119,344	(6,550)	35,576
OTHER FINANCING SOURCES (USES):					
Operating transfers in	127,000	118,000	-	245,000	158,000
Operating transfers out	-	-	(245,000)	(245,000)	(158,000)
Total other financing sources (uses)	127,000	118,000	(245,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	49,371	69,735	(125,656)	(6,550)	35,576
FUND BALANCE, BEGINNING OF YEAR	190,226	179,309	231,737	601,272	565,696
FUND BALANCE, END OF YEAR	\$ 239,597	\$ 249,044	\$ 106,081	\$ 594,722	\$ 601,272



**VILLAGE OF ONTONAGON**  
**ENTERPRISE FUNDS**  
**BALANCE SHEETS**  
**March 31, 2006**  
**With Comparative Totals at March 31, 2005**

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2006	2005
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 71,284	\$ 266,100	\$ 337,384	\$ 140,006
Accounts receivable	11,724	90,162	101,886	109,451
Due from other funds	1,995	31,518	33,513	1,096
Due from component unit	-	-	-	-
Total current assets	<u>85,003</u>	<u>387,780</u>	<u>472,783</u>	<u>250,553</u>
Restricted cash	<u>247,643</u>	<u>595,157</u>	<u>842,800</u>	<u>801,523</u>
Property, plant, and equipment	7,889,047	18,023,668	25,912,715	25,892,614
Accumulated depreciation & amortization	<u>(2,109,096)</u>	<u>(1,917,069)</u>	<u>(4,026,165)</u>	<u>(3,509,050)</u>
	<u>5,779,951</u>	<u>16,106,599</u>	<u>21,886,550</u>	<u>22,383,564</u>
<b>TOTAL ASSETS</b>	<u>\$ 6,112,597</u>	<u>\$ 17,089,536</u>	<u>\$ 23,202,133</u>	<u>\$ 23,435,640</u>
<b>LIABILITIES:</b>				
Current liabilities:				
Accounts payable	\$ 2,920	\$ 25,891	\$ 28,811	\$ 11,057
Retainage payable	-	-	-	-
Accrued expenses	10,944	11,233	22,177	18,679
Customer deposits	-	5,945	5,945	5,695
Due to other funds	30,321	17,635	47,956	555
Due to other governmental units	-	-	-	-
Current maturities on long term debt	<u>67,000</u>	<u>235,000</u>	<u>302,000</u>	<u>245,000</u>
Total current liabilities	<u>111,185</u>	<u>295,704</u>	<u>406,889</u>	<u>280,986</u>
Long-term liabilities:				
Bonds payable	<u>2,940,000</u>	<u>6,723,862</u>	<u>9,663,862</u>	<u>10,022,000</u>
<b>TOTAL LIABILITIES</b>	<u>3,051,185</u>	<u>7,019,566</u>	<u>10,070,751</u>	<u>10,302,986</u>
<b>FUND EQUITY:</b>				
Contributed capital	<u>2,836,441</u>	<u>9,646,479</u>	<u>12,482,920</u>	<u>12,724,298</u>
Retained earnings:				
Reserved	247,642	511,883	759,525	718,966
Unreserved - Undesignated	<u>(22,671)</u>	<u>(88,392)</u>	<u>(111,063)</u>	<u>(310,610)</u>
Total retained earnings	<u>224,971</u>	<u>423,491</u>	<u>648,462</u>	<u>408,356</u>
<b>TOTAL FUND EQUITY</b>	<u>3,061,412</u>	<u>10,069,970</u>	<u>13,131,382</u>	<u>13,132,654</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 6,112,597</u>	<u>\$ 17,089,536</u>	<u>\$ 23,202,133</u>	<u>\$ 23,435,640</u>



**VILLAGE OF ONTONAGON**  
**ENTERPRISE FUNDS**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**

**March 31, 2006**

**With Comparative Totals at March 31, 2005**

	Sewer Disposal System	Water Supply System	Totals (Memorandum Only)	
			2006	2005
<b>OPERATING REVENUES:</b>				
Sales and charges for services	\$ 165,677	\$ 971,483	\$ 1,137,160	\$ 1,076,080
Fines, forfeitures, and penalties	3,670	6,610	10,280	9,983
Other revenue	888	21,632	22,520	429,487
<b>TOTAL OPERATING REVENUES</b>	<b>170,235</b>	<b>999,725</b>	<b>1,169,960</b>	<b>1,515,550</b>
<b>EXPENSES:</b>				
Salaries, wages, and fringe benefits	41,494	242,593	284,087	287,286
Supplies, materials, and other	1,162	66,692	67,854	65,350
Repair and maintenance	1,600	7,628	9,228	10,593
Insurance	9,161	21,637	30,798	58,700
Utilities	17,641	75,861	93,502	78,210
Other services and support	14,370	50,283	64,653	320,458
Depreciation	154,804	362,311	517,115	515,657
<b>TOTAL OPERATING EXPENSES</b>	<b>240,232</b>	<b>827,005</b>	<b>1,067,237</b>	<b>1,336,254</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(69,997)</b>	<b>172,720</b>	<b>102,723</b>	<b>179,296</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Loss on disposal of assets	-	-	-	-
Interest income	4,470	11,317	15,787	6,436
Interest expense	(129,409)	(150,373)	(279,782)	(383,427)
Operating transfers out	-	-	-	-
Operating transfers in	160,000	-	160,000	195,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>35,061</b>	<b>(139,056)</b>	<b>(103,995)</b>	<b>181,991</b>
<b>NET INCOME (LOSS)</b>	<b>(34,936)</b>	<b>33,664</b>	<b>(1,272)</b>	<b>(2,695)</b>
<b>RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR</b>	<b>205,580</b>	<b>202,776</b>	<b>408,356</b>	<b>173,025</b>
<b>ADJUSTMENTS TO FUND EQUITY:</b>				
Add depreciation on fixed assets acquired with new capital	54,327	187,051	241,378	238,026
<b>RETAINED EARNINGS (DEFICIT), END OF YEAR</b>	<b>\$ 224,971</b>	<b>\$ 423,491</b>	<b>\$ 648,462</b>	<b>\$ 408,356</b>



**VILLAGE OF ONTONAGON**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**Year Ended March 31, 2006**

	Enterprise Funds		
	Sewer System	Water System	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 164,415	\$ 990,839	\$ 1,155,254
Payments to suppliers	(33,088)	(173,586)	(206,674)
Internal activity -- receipts (payments) to other funds	(9,902)	(31,704)	(41,606)
Payments to employees	(41,289)	(239,300)	(280,589)
Other receipts (payments)	888	21,632	22,520
Net cash provided by operating activities	<u>81,024</u>	<u>567,881</u>	<u>648,905</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating subsidies and transfers to other funds	<u>187,771</u>	<u>(12,787)</u>	<u>174,984</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital Contributions	0	0	0
Purchases of capital assets	0	(20,101)	(20,101)
Principal paid on capital debt	(65,000)	(236,138)	(301,138)
Interest paid on capital debt	(129,409)	(150,373)	(279,782)
Net cash (used) by capital and related financing activities	<u>(194,409)</u>	<u>(406,612)</u>	<u>(601,021)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	<u>4,470</u>	<u>11,317</u>	<u>15,787</u>
Net cash provided by investing activities	<u>4,470</u>	<u>11,317</u>	<u>15,787</u>
Net (decrease) in cash and cash equivalents	<u>78,856</u>	<u>159,799</u>	<u>238,655</u>
	<u>240,071</u>	<u>701,458</u>	<u>941,529</u>
	<u>\$ 318,927</u>	<u>\$ 861,257</u>	<u>\$ 1,180,184</u>
<b>Reconciliation of operating income (loss) to net cash provided</b>			
(used) by operating activities:			
Operating income (loss)	\$ (69,997)	\$ 172,720	\$ 102,723
Adjustments to reconcile operating income to net cash provided			0
(used) by operating activities:			0
Depreciation expense	154,804	362,311	517,115
Change in assets and liabilities			0
Receivables, net	(4,931)	12,496	7,565
Accounts and other payables	943	17,061	18,004
Accrued Expenses	205	3,293	3,498
Net cash provided by operating activities	<u>\$ 81,024</u>	<u>\$ 567,881</u>	<u>\$ 648,905</u>



**VILLAGE OF ONTONAGON**  
**EQUIPMENT FUND**  
**BALANCE SHEETS**  
**March 31, 2006**  
**With Comparative Totals at March 31, 2005**

	<u>2006</u>	<u>2005</u>
ASSETS:		
Cash and cash equivalents	\$ 289,212	\$ 315,027
Due from other funds	31,985	-
Due from component unit	7,715	-
Property, plant, and equipment	1,222,366	1,168,591
Accumulated depreciation & amortization	<u>(924,080)</u>	<u>(827,839)</u>
TOTAL ASSETS	<u>\$ 627,198</u>	<u>\$ 655,779</u>
LIABILITIES:		
Accounts payable	\$ 7,337	\$ 6,862
Accrued expenses	986	186
Due to other funds	(806)	801
Due to component unit	-	-
Notes payable	<u>34,520</u>	<u>38,520</u>
TOTAL LIABILITIES	<u>42,037</u>	<u>46,369</u>
FUND EQUITY:		
Contributed capital	248,780	248,780
Retained earnings	<u>336,381</u>	<u>360,630</u>
TOTAL FUND EQUITY	<u>585,161</u>	<u>609,410</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 627,198</u>	<u>\$ 655,779</u>



**VILLAGE OF ONTONAGON**  
**EQUIPMENT FUND**  
**DETAIL STATEMENTS OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE**  
**Year Ended March 31, 2006**  
**With Comparative Actual Amounts for Year Ended March 31, 2005**

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES:		
Equipment rental	\$ 169,926	\$ 166,824
EXPENSES:		
Salaries, wages, and fringe benefits	26,434	23,709
Supplies, materials, and other	17,171	15,835
Repair and maintenance	25,523	27,147
Insurance	6,262	485
Utilities	22,113	14,446
Other services and support	575	550
Capital outlay	-	-
Depreciation	96,241	94,285
Total expenses	<u>194,319</u>	<u>176,457</u>
OPERATING INCOME	<u>(24,393)</u>	<u>(9,633)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,878	1,372
Interest expense	(1,734)	(1,925)
Operating transfers in	-	-
Total non-operating revenues (expenses)	<u>144</u>	<u>(553)</u>
NET INCOME (LOSS)	(24,249)	(10,186)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>360,630</u>	<u>370,816</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 336,381</u>	<u>\$ 360,630</u>



## **DEBT SCHEDULES**



**VILLAGE OF ONTONAGON - DEBT SCHEDULES**  
**LONG-TERM DEBT ACCOUNT GROUP**

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**1998 Loan of Federal Funds - Payable to Michigan Jobs Commission**

Date of Loan: 1998  
 Purpose: Renaissance Zone Industrial Park  
 Original Loan Amount: \$315,000  
 Interest Rate: Not less than 5%  
 Term: Maximum term - 20 years with no interest in the first 5 years. Interest begins to accrue in the 4th year. The debt (up to 90%) will be forgiven at the rate of \$20,000 per job created by the project.

The remaining (maximum) repayment of interest and principal summarized by year is as follows:

Year Ended March	Interest	Principal	Total
2003	\$ 0	\$ 0	\$ 0
2004	0	0	0
2005	15,750	0	15,750
2006	15,750	14,598	30,348
2007	15,021	15,327	30,348
2008	14,254	16,094	30,348
2009	13,449	16,899	30,348
2010	12,604	17,744	30,348
2011	11,717	18,631	30,348
2012	10,786	19,562	30,348
2013	9,807	20,541	30,348
2014	8,780	21,568	30,348
2015	7,702	22,646	30,348
2016	6,570	23,778	30,348
2017	5,381	24,967	30,348
2018	4,132	26,216	30,348
2019	2,822	27,526	30,348
2020	1,445	28,903	30,348
	<u>\$ 155,970</u>	<u>\$ 315,000</u>	<u>\$ 470,970</u>



**VILLAGE OF ONTONAGON – DEBT SCHEDULES**  
**ENTERPRISE FUNDS**

**1996 Sanitary Sewage Disposal System Revenue Bonds**

Date of Loan: October 2, 1996      Original Loan Amount: \$3,000,000  
Interest Rate: 4.5%      Term: 40 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March	Principal September	Interest		Total
		September	March	
2003	\$ 35,000	\$ 64,103	\$ 63,315	\$ 162,418
2004	37,000	63,315	62,527	162,842
2005	39,000	62,528	61,695	163,223
2006	40,000	61,695	60,817	162,512
2007	42,000	60,818	59,917	162,735
2008	44,000	59,918	58,972	162,890
2009	46,000	58,973	57,982	162,955
2010	47,000	57,983	56,947	161,930
2011	50,000	56,948	55,890	162,838
2012	52,000	55,890	54,765	162,655
2013	55,000	54,765	53,595	163,360
2014	56,000	53,595	52,357	161,952
2015	60,000	52,358	51,097	163,455
2016	62,000	51,098	49,747	162,845
2017	65,000	49,748	48,352	163,100
2018	68,000	48,353	46,890	163,243
2019	70,000	46,890	45,360	162,250
2020	74,000	45,360	43,785	163,145
2021	78,000	43,785	42,120	163,905
2022	80,000	42,120	40,365	162,485
2023	83,000	40,365	38,565	161,930
2024	87,000	38,565	36,698	162,263
2025	92,000	36,698	34,740	163,438
2026	95,000	34,740	32,670	162,410
2027	100,000	32,670	30,533	163,203
2028	104,000	30,533	28,283	162,816
2029	110,000	28,283	25,943	164,226
2030	115,000	25,943	23,468	164,411
2031	120,000	23,468	20,880	164,348
2032	125,000	20,880	18,180	164,060
2033	130,000	18,180	15,366	163,546
2034	136,000	15,366	12,442	163,808
2035	142,000	12,443	9,382	163,825
2036	149,000	9,383	6,187	164,570
2037	155,000	6,188	-	161,188
	<u>\$ 2,843,000</u>	<u>\$ 1,463,948</u>	<u>\$ 1,399,832</u>	<u>\$ 5,706,780</u>



**VILLAGE OF ONTONAGON - DEBT SCHEDULES**  
**ENTERPRISE FUNDS**

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**1997 Sanitary Sewage Disposal System Revenue Bonds**

Date of Loan:	June 26, 1997	Original Loan Amount:	\$493,143
Interest Rate:	2.25%	Term:	20 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2003	\$ 4,648	\$ 4,648	\$ 20,000	\$ 29,296
2004	4,423	4,423	25,000	33,846
2005	4,141	4,141	25,000	33,282
2006	3,860	3,860	25,000	32,720
2007	3,579	3,579	25,000	32,158
2008	3,298	3,298	25,000	31,596
2009	3,017	3,017	25,000	31,034
2010	2,735	2,735	25,000	30,470
2011	2,454	2,454	25,000	29,908
2012	2,173	2,173	25,000	29,346
2013	1,892	1,892	25,000	28,784
2014	1,610	1,610	25,000	28,220
2015	1,329	1,329	30,000	32,658
2016	992	992	30,000	31,984
2017	654	654	55,000	56,308
TOTALS	<u>\$ 40,805</u>	<u>\$ 40,805</u>	<u>\$ 410,000</u>	<u>\$ 491,610</u>



**VILLAGE OF ONTONAGON – DEBT SCHEDULES**  
**ENTERPRISE FUNDS**

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**2004 Water Bonds - Michigan Municipal Bond Authority**

Date of Loan: June 24, 2004      Original Loan Amount: \$7,370,000.  
Interest Rate: 2.125%      Term: 30 years

Repayment of principal and interest in bi-annual payments summarized by year is as follows:

Year Ended March 31	Interest		Principal	Total
	April	October	October	
2005	\$ 0	\$ 36,972	\$ 175,000	\$ 211,972
2006	76,434	76,434	180,000	332,868
2007	74,522	74,522	185,000	334,044
2008	72,557	72,557	190,000	335,114
2009	70,538	70,538	195,000	336,076
2010	68,466	68,466	200,000	336,932
2011	66,341	66,341	200,000	332,682
2012	64,216	64,216	205,000	333,432
2013	62,038	62,038	210,000	334,076
2014	59,807	59,807	215,000	334,614
2015	57,522	57,522	220,000	335,044
2016	55,185	55,185	225,000	335,370
2017	52,794	52,794	230,000	335,588
2018	50,350	50,350	235,000	335,700
2019	47,854	47,854	240,000	335,708
2020	45,304	45,304	245,000	335,608
2021	42,700	42,701	250,000	335,401
2022	40,044	40,044	255,000	335,088
2023	37,335	37,335	260,000	334,670
2024	34,572	34,572	265,000	334,144
2025	31,757	31,757	270,000	333,514
2026	28,888	28,888	275,000	332,776
2027	25,966	25,966	285,000	336,932
2028	22,938	22,938	290,000	335,876
2029	19,857	19,857	295,000	334,714
2030	16,722	16,722	300,000	333,444
2031	13,535	13,535	310,000	337,070
2032	10,241	10,241	315,000	335,482
2033	6,894	6,894	320,000	333,788
2034	3,494	3,494	330,000	336,988
TOTALS	<u>\$ 1,258,871</u>	<u>\$ 1,295,844</u>	<u>\$ 7,370,000</u>	<u>\$ 9,924,715</u>



**VILLAGE OF ONTONAGON - DEBT SCHEDULES**  
**DOWNTOWN DEVELOPMENT AUTHORITY**

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**2005 EDC Ontonagon County Loan (DDA Speculation Building)**

Date of Loan:	April 19, 2005	Original Loan Amount:	\$265,756
Interest Rate:	3.75%	Term:	30 years

Repayment of principal and interest in monthly payments summarized by year is as follows:

Year Ended March 31	Interest	Principal	Total
2006	\$ 9,054	\$ 12,205	\$ 21,259
2007	9,271	13,921	23,192
2008	8,739	14,452	23,191
2009	8,188	15,004	23,192
2010	7,616	15,576	23,192
2011	7,021	16,170	23,191
2012	6,404	16,787	23,191
2013	5,764	17,428	23,192
2014	5,099	18,093	23,192
2015	4,409	18,783	23,192
2016	3,692	19,499	23,191
2017	2,948	20,243	23,191
2018	2,176	21,016	23,192
2019	1,374	21,817	23,191
2020	542	22,650	23,192
2021	7	2,112	2,119
<b>TOTALS</b>	<b>\$ 82,304</b>	<b>\$ 265,756</b>	<b>\$ 348,060</b>



## **FEDERAL AWARDS PROGRAMS**





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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Honorable President and Members of the Village Council  
Village of Ontonagon  
Ontonagon, Michigan

We have audited the financial statements of the Village of Ontonagon as of and for the year ended March 31, 2006, and have issued our report thereon dated June 12, 2006. We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Village of Ontonagon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

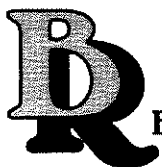
In planning and performing our audit, we considered the Village of Ontonagon's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*  
Certified Public Accountants

June 12, 2006





Bruce A Rukkila, CPA, PC

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable President and Members of the Village Council  
Village of Ontonagon  
Ontonagon, Michigan

**Compliance**

We have audited the compliance of the Village of Ontonagon with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2006. The Village of Ontonagon's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Village of Ontonagon's management. Our responsibility is to express an opinion on the Village of Ontonagon's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Ontonagon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Ontonagon's compliance with those requirements.

In our opinion, the Village of Ontonagon complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2006.

**Internal Control Over Compliance**

The management of the Village of Ontonagon is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Ontonagon's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

*Bruce A. Rukkila, CPA, PC*

June 12, 2006

Certified Public Accountants



**VILLAGE OF ONTONAGON**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ended March 31, 2006**

<b><u>Federal Grantor/Pass-through Grantor/Program Title</u></b>	<b><u>CFDA Number</u></b>	<b><u>Federal Expenditures</u></b>
U.S. Department of Housing and Urban Development - State Programs		
Pass-through programs from:		
State of Michigan - Grant project - MSC-201057	14.228	<u>\$ 1,418,991</u>



**VILLAGE OF ONTONAGON**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the year ended March 31, 2006**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal Control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

***Federal Awards***

Internal control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133?	No
Identification of major programs:	
Name of Federal Program	<u>CFDA Number</u>
U.S. Department of Housing and Urban Development - State Programs	14.228
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**SECTION II - FINANCIAL STATEMENT FINDINGS** - No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS** - No matters were reported.



**VILLAGE OF ONTONAGON**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**March 31, 2006**

**NOTE A - OVERSIGHT AGENCY**

The U.S. Department of Housing and Urban Development - State Programs is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the Village's expenditures of federal awards.

**NOTE B - BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.





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### **COMMENTS AND RECOMMENDATIONS LETTER**

Honorable President and Members of the Village Council  
Village of Ontonagon  
Ontonagon, Michigan

In connection with our audit of the financial statements of the Village of Ontonagon, Michigan, for the year ended March 31, 2006, the following concerns regarding the accounting records, procedures, and internal accounting control structure came to our attention and are presented for your consideration.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures.

#### **Insured Deposits**

We noted approximately forty-three (43%) of the Village's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The Village has determined that because of the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In addition, the laws of the State of Michigan do not provide for collateralization of bank deposits. As a result, the Village evaluates each financial institution it uses and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

We would like to thank the administrative staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

This report is intended solely for the use of management and the governmental regulatory agencies and should not be used for any other purposes.

*Bruce A. Rukkila, CPA, PC*

Certified Public Accountants

June 12, 2006